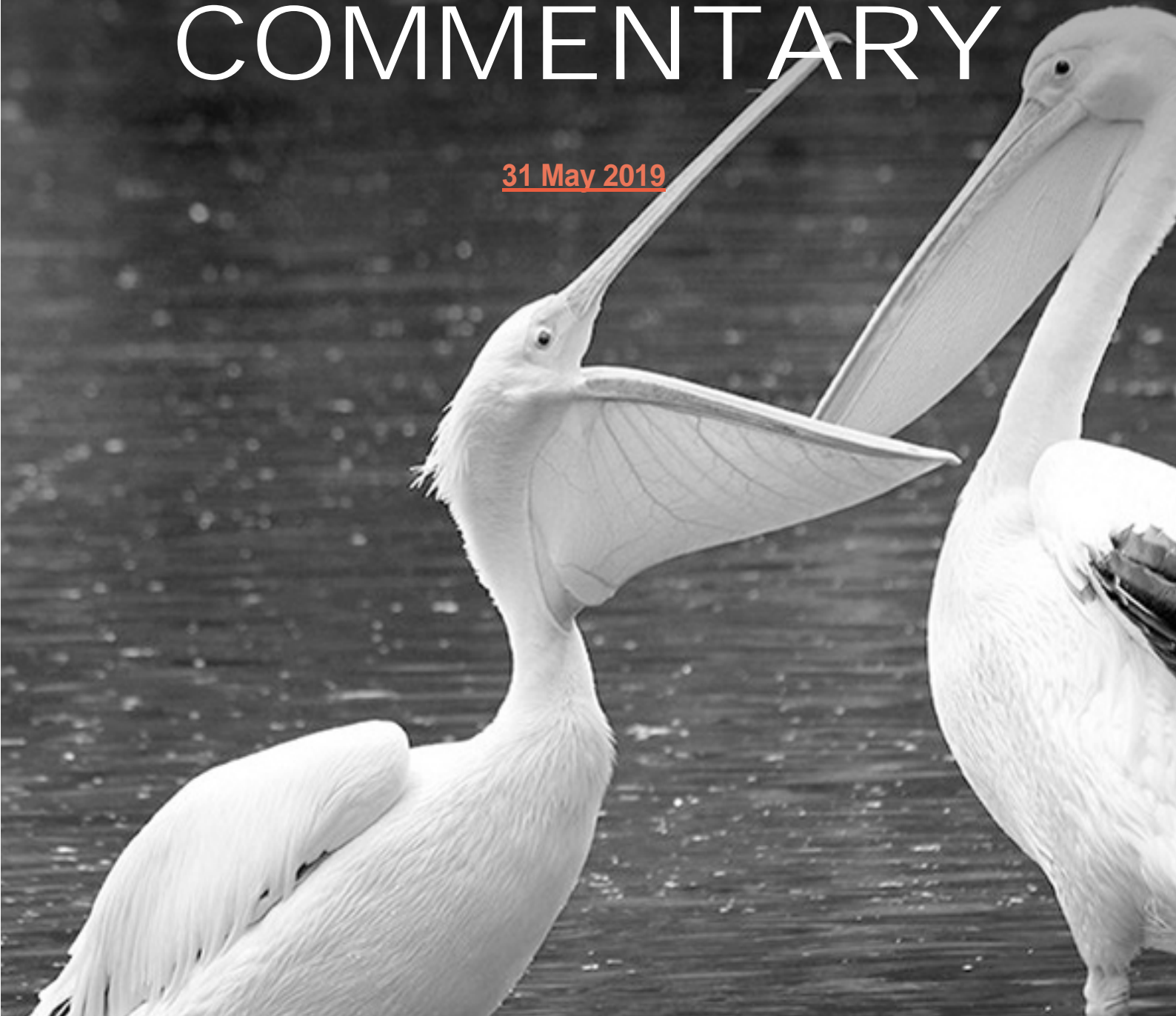




CLIENT MARKET COMMENTARY

31 May 2019



#TRUMPTWEETS

Donald Trump went on the offensive during the most recent round of trade talks with China. As is becoming the norm, he fired off a number of tweets attacking their stance and announcing further tariffs on goods purchased from China. This on-again, off-again relationship has taken more turns than a bad US rom-com and put America's potential trade war with China firmly back on. President Trump's tweets spooked the market at the beginning of May but we saw signs of a recovery as he softened his stance over the next couple of weeks

MAY, MAY, GO AWAY

Theresa May has announced her resignation as the leader of the Conservative party, however she will continue as Prime Minister until a replacement is chosen. We would expect a new Prime Minister to be in place by mid-July and at the time of writing, the current favourites for the post are Boris Johnson and Dominic Raab. Both candidates have intimated the UK will leave the EU without a deal at the end of October if nothing can be agreed.

DEAL OR NO DEAL?

Before her resignation, Theresa May attempted to form a consensus with the Labour party on a way forward on Brexit talks. Both sides blamed the 'weakness and instability' of the other party as talks broke down. This, along with May's resignation, caused the value of the pound to fall as the likelihood of leaving the EU with no-deal increased. A number of candidates with differing views on Brexit have put themselves forward to be the next leader. However, regardless of who the new Prime Minister is, we expect UK markets to remain uncertain until any agreement with the EU is reached.

OUR VIEW

The market is predicting a low level of growth, but we do believe there are some reasons for positivity. We begin the year supportive of stocks, however we do expect to become more cautious as the year progresses. The main risks still come from Brexit uncertainty in the UK, the possibility of trade talks between and US and China being derailed, in addition to the US central bank raising interest rates if markets grow too quickly.

INVESTING WITH US

Our key goal is to deliver good outcomes for our customers. We do this by following our core beliefs:

- **Pensions are long term investments**

While it can be hard to watch large market drops, especially if the value of your savings is falling, it's important to remember that investing for retirement is a long term game. It's very normal for an economy to go through phases of expansion and contraction.

In fact, over the long run there is a recession every five to ten years. We think of these cycles in terms of waves of growth and inflation, and consider which investments do best when growth is strong or weak, and when inflation is falling or rising. Our investment experts analyse and understand where we are in that cycle and which types of investments we should be investing in within the portfolio mix. This is called the short term view and we do this on a day to day basis so that we can try to maximise returns and avoid some of the losses.

Falling markets can be buying opportunities, particularly when you are planning to invest for a long time period. We see the current market falls as potential buying opportunities for equities. The multi asset portfolios are currently holding slightly more equities than average, having bought on the recent dips. We're also holding more corporate and high yield bonds.

- **Greater diversification**

We believe that investing in a wide range of asset classes will result in more consistent performance across a wide range of economic conditions. This spread of different investments helps to reduce the risk of having all your eggs in one basket.

The Governed Portfolios are designed for investors who are saving into a pension and aim to maximise returns above inflation within a defined risk framework and term to retirement.

The Governed Retirement Income Portfolios (GRIPs) are designed for customers who are taking money out of their pension on a regular basis and aim to maximise returns above inflation to support sustainable, regular income withdrawals for a range of risk profiles. The portfolios hold a wide range of investments, including company shares, property, bonds, commodities and cash in order to help them meet their objectives.

- **Governance**

We believe that all investment options should be monitored on a regular basis, and this is a core part of what we do for our customers. All the portfolios are monitored on an ongoing basis by our experts to ensure they deliver in line with their objectives. You can keep an eye on how your investments are performing using our online service.

If you are in any doubt about the suitability of any particular type of investment, you should seek professional financial advice. Advisers may charge for providing such advice and should confirm any costs beforehand.

For more information please speak to
your Financial Adviser



Royal London
1 Thistle Street, Edinburgh EH2 1DG
royallondon.com

All literature about products that carry the Royal London brand is available
in large print format on request to the Marketing Department at
Royal London, 1 Thistle Street, Edinburgh EH2 1DG.
All of our printed products are produced on stock which is from FSC® certified forests.

The Royal London Mutual Insurance Society Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The firm is on the Financial Services Register, registration number 117672. It provides life assurance and pensions. Registered in England and Wales number 99064. Registered office: 55 Gracechurch Street, London, EC3V 0RL. Royal London Marketing Limited is authorised and regulated by the Financial Conduct Authority and introduces Royal London's customers to other insurance companies. The firm is on the Financial Services Register, registration number 302391. Registered in England and Wales number 4414137. Registered office: 55 Gracechurch Street, London, EC3V 0RL.

May 19